



Air Pollution Control Board

San Diego County Air Pollution Control District

GOVERNING BODY

GREG COX
First District

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Second District

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Third District

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Fourth District

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Fifth District

AGENDA ITEM

DATE: June 24, 2015

AP01

TO: Air Pollution Control Board

SUBJECT: NOTICED PUBLIC HEARING - ADOPTION OF NEW RULE 69.5.1 – NATURAL GAS-FIRED WATER HEATERS, AND REPEAL OF EXISTING RULE 69.5 – NATURAL GAS-FIRED WATER HEATERS (DISTRICTS: ALL)

Overview

This is a request for the Air Pollution Control Board to adopt proposed new Rule 69.5.1 to reduce the amount of oxides of nitrogen (NO_x) emitted from residential-type natural gas-fired water heaters. When water heaters burn natural gas, NO_x is emitted into the air and reacts with other air pollutants to form ground level ozone, a major component of smog. San Diego County Air Pollution Control District (District) has programs and regulations in place designed to meet the current California or National Ambient Air Quality Standards for ozone, however, the county currently does not meet these standards. As a result, the District is required to update its regulations, as necessary, to reflect the latest advances in technology to further reduce ozone-forming emissions. Adoption of Rule 69.5.1 will help fulfill these State and federal requirements.

If adopted, Rule 69.5.1 will replace existing Rule 69.5, which has not been updated since its adoption in 1998. Since 1998, advances in water heating technology and tighter emission limits in several other California air districts have resulted in the availability of lower-emitting natural gas-fired water heaters. Proposed new Rule 69.5.1 reflects these advancements and will prohibit the sale, distribution, or installation of any new natural gas-fired water heater that does not comply with the proposed emission limits. It will apply only when an existing unit is replaced or a new unit is installed. There will be no immediate impact on existing residences and businesses that presently have water heaters on the premises. Proposed new Rule 69.5.1 will go into effect on July 1, 2016, and existing Rule 69.5 will then be automatically repealed.

The District held a public workshop to discuss and receive comments on the proposed new rule. No significant issues were raised and all known issues have been addressed.

Recommendation(s)

AIR POLLUTION CONTROL OFFICER

1. Find that the adoption of proposed new Rule 69.5.1 and repeal of existing Rule 69.5 are categorically exempt from the provisions of the California Environmental Quality Act pursuant to California Code of Regulations, Title 14, Section 15308, as an action taken to

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assure the protection of the environment, where the regulatory process involves procedures for protection of the environment, and pursuant to California Code of Regulations Title 14, Section 15061(b)(3), since it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

2. Adopt the resolution entitled RESOLUTION ADOPTING NEW RULE 69.5.1 – NATURAL GAS-FIRED WATER HEATERS AND REPEALING RULE 69.5 – NATURAL GAS-FIRED WATER HEATERS OF REGULATION IV OF THE RULES AND REGULATIONS OF THE SAN DIEGO COUNTY AIR POLLUTION CONTROL DISTRICT.

Fiscal Impact

There is no fiscal impact associated with the adoption of the resolution. If adopted, there will be no change in net General Fund cost and no additional staff years.

Business Impact Statement

Adopting proposed new Rule 69.5.1 will not adversely impact the business community. Natural gas-fired water heaters complying with the proposed rule are currently available in California. The rule will not affect any facility in San Diego County that currently operates water heaters until the unit is replaced or a new unit is installed. While low-emitting units are somewhat more expensive than standard ones, they are more energy efficient and are therefore cheaper to operate, with a payback period of a few years depending on usage. Also, their cost is expected to decrease over time due to advances in technology and increased production. The one-year sell-through period minimizes impacts, and manufacturers and distributors are already familiar with the rule requirements due to several other California air districts having similar rules in place.

Advisory Board Statement

At its meeting on August 13, 2014, with a quorum present, the Air Pollution Control District Advisory Committee voted unanimously in support of the Air Pollution Control District's recommendations.

Background

San Diego County does not meet the California and National Ambient Air Quality Standards for ozone and therefore is classified as an ozone nonattainment area. Both federal and State laws require the District to adopt and implement rules to control emissions of ozone precursors – volatile organic compounds (VOC) and NO_x. In addition, as control technologies advance and new or tighter limits on air pollutant emissions become feasible the District is required to update its rules accordingly and the proposed rule is the result of this requirement.

Existing Rule 69.5 regulates NO_x emissions from residential-type natural gas-fired water heaters (units) with a rated heat input capacity of less than 75,000 BTU per hour, and has not been updated since its adoption in 1998. The District is proposing to repeal existing Rule 69.5 and

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adopt new Rule 69.5.1 that includes similar requirements, but with more stringent NOx emission limits. The proposed emission standards in Rule 69.5.1 are similar to existing rule requirements in several other California air districts and as a result complying units are widely available.

Proposed new Rule 69.5.1 is a point-of-sale rule that applies when an existing natural gas-fired water heater reaches the end of its useful equipment life and is replaced, or when any new unit is installed. It will prohibit the manufacture, sale, offer for sale, or installation within San Diego County of any new unit that does not comply with the specified emission standards. It will require the manufacturer of any such unit offered for sale within San Diego County to submit to the District a statement certifying that each model of water heater complies with all applicable provisions of the rule. As an alternative, a certification statement approved by the South Coast Air Quality Management District may be submitted to avoid duplicative testing and certification costs.

Proposed new Rule 69.5.1 provides a one-year sell-through period to allow time for affected businesses to deplete their existing inventories of noncompliant water heaters. If adopted, proposed new Rule 69.5.1 will take effect on July 1, 2016. On that same date Rule 69.5 will be automatically repealed.

During development of proposed new Rule 69.5.1, District staff conducted a public workshop to discuss the proposed requirements with affected parties. The workshop was attended by seven people, including representatives from the water heater manufacturing and distribution industry. No significant concerns were raised at the workshop and all known issues have been addressed. Additional outreach is planned upon adoption of the proposed rule, including distribution of an advisory to affected parties to enhance awareness of the new requirements.

Socioeconomic Impact Assessment

Section 40728.5 of the State of California Health and Safety Code requires the District to perform an assessment of the socioeconomic impacts when adopting, amending, or repealing a rule that will significantly affect air quality or emission limitations. Proposed new Rule 69.5.1 will affect emission limitations by establishing more stringent NOx emission standards for small water heaters. Accordingly, a Socioeconomic Impact Assessment has been prepared (Attachment B), which shows that proposed new Rule 69.5.1 will not have a significant economic impact on the affected residences or industries, including small businesses in San Diego County.

Environmental Statement

The California Environmental Quality Act (CEQA) requires environmental review for certain actions. The District conducted a preliminary review of whether CEQA applies to the adoption of Rule 69.5.1. Proposed new Rule 69.5.1 is required by State law, which calls for adoption of every feasible control measure to accelerate progress toward achieving the ambient air quality standard for ozone. Proposed new Rule 69.5.1 will reduce NOx emissions from residential-type water heaters in San Diego County by approximately 75%, or 380 tons/year. District staff determined that the adoption of proposed new Rule 69.5.1 and repeal of existing Rule 69.5 are

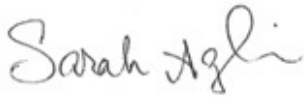
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categorically exempt from the provisions of CEQA pursuant to California Code of Regulations, Title 14, Section 15308, as an action taken to assure the protection of the environment, where the regulatory process involves procedures for protection of the environment, and pursuant to Section 15061(b)(3), since it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment.

Linkage to the County of San Diego Strategic Plan

Today's proposed actions support the Sustainable Environments Initiative in the County of San Diego's 2015 – 2019 Strategic Plan with an objective to enhance the quality of the environment by focusing on sustainability, pollution prevention and strategic planning. Proposed new Rule 69.5.1 will reduce air pollutant emissions and improve air quality in San Diego County.

Respectfully submitted,



SARAH E. AGHASSI
Deputy Chief Administrative Officer



ROBERT J. KARD
Air Pollution Control Officer

ATTACHMENT(S)

Attachment A – Resolution Adopting New Rule 69.5.1 (Natural Gas-Fired Water Heaters) and Repealing Rule 69.5 (Natural Gas-Fired Water Heaters), of Regulation IV of the Rules and Regulations of the San Diego County Air Pollution Control District.

Attachment B – Socioeconomic Impact Assessment

Attachment C – Comparative Analysis

Attachment D – Incremental Cost-Effectiveness Analysis

Attachment E – Workshop Report

Attachment F – Existing Rule 69.5 (Natural Gas-Fired Water Heaters) to be Repealed

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AGENDA ITEM INFORMATION SHEET

REQUIRES FOUR VOTES: ☐ Yes ☒ No

WRITTEN DISCLOSURE PER COUNTY CHARTER SECTION 1000.1 REQUIRED
☐ Yes ☒ No

PREVIOUS RELEVANT BOARD ACTIONS:

June 17, 1998 (APCB #1), Adoption of New Rule 69.5 – Natural Gas-Fired Water Heaters

BOARD POLICIES APPLICABLE:

N/A

BOARD POLICY STATEMENTS:

N/A

MANDATORY COMPLIANCE:

N/A

ORACLE AWARD NUMBER(S) AND CONTRACT AND/OR REQUISITION NUMBER(S):

N/A

ORIGINATING DEPARTMENT: AIR POLLUTION CONTROL DISTRICT

OTHER CONCURRENCES(S): N/A

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